

BOARD OF REGENTS DOCKET ITEM SUMMARY

Audit & Compliance

May 9, 2019

AGENDA ITEM:

- Review
- Review + Action
- Action
- Discussion
- This is a report required by Board policy.*

PRESENTERS:

PURPOSE & KEY POINTS

External Auditor Review

Summary of Audit and Non-Audit Services and Fees

Board Operations and Agenda Guidelines.

BACKGROUND INFORMATION

Board Operations and Agenda Guidelines.

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS AUDIT COMMITTEE
MAY 9, 2019**

**EXTERNAL AUDITOR REVIEW AND SUMMARY OF EXTERNAL AUDITOR
RELATIONSHIPS AND SERVICES PROVIDED**

Background

The Board of Regents is responsible for engaging and overseeing the University's independent external auditors, for reviewing the work of the auditor, and periodically reviewing the fees paid to the audit firm. Effective governance practice recommends that the Audit Committee of the Board should conduct such a review at least annually. The Audit Committee conducted its last review of audit services and fees in May 2018.

The Controller's Office presents the information below and on the accompanying schedules for the Audit Committee's 2019 review of audit, audit related, and non-audit services fees paid external audit firms including Deloitte & Touche, LLP (Deloitte), the University's independent external auditor. Also included is management's assessment of Deloitte's performance for the FY 2018 engagements.

Section I - Annual Review of External Auditor Relationship and Performance

University management and the Deloitte engagement management team

Both the University team and the Deloitte team agree that we need to continue to focus on the improvements that have been made including:

Continued focus on identifying and completing testing of items earlier in the audit process, specifically as it relates to capital assets,

Continue to ensure communications between both teams and all audits are consistent and timely.

Review processes to ensure audit requests and receipt of documentation is efficient to both parties.

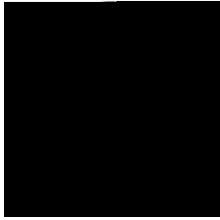
Review of Fees Paid to Deloitte & Touche, LLP

The accompanying schedule presents a summary of fees paid to Deloitte for the various FY 2018 audits and other services. The top portion of the fee schedule represents fees paid for the University's annual institutional audits and audit-related engagements. The contract amounts reported on the schedule are consistent with the amounts agreed to in the fiscal 2018 engagement letters and the firm's fixed price contract for FY 2018. The total audit fees paid to Deloitte for FY 2018 were \$1,810

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS AUDIT COMMITTEE
MAY 9, 2019
Schedule I - Fees Paid To Deloitte & Touche, LLP
FY 2018**

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS AUDIT COMMITTEE
MAY 9, 2019**

Schedule II -

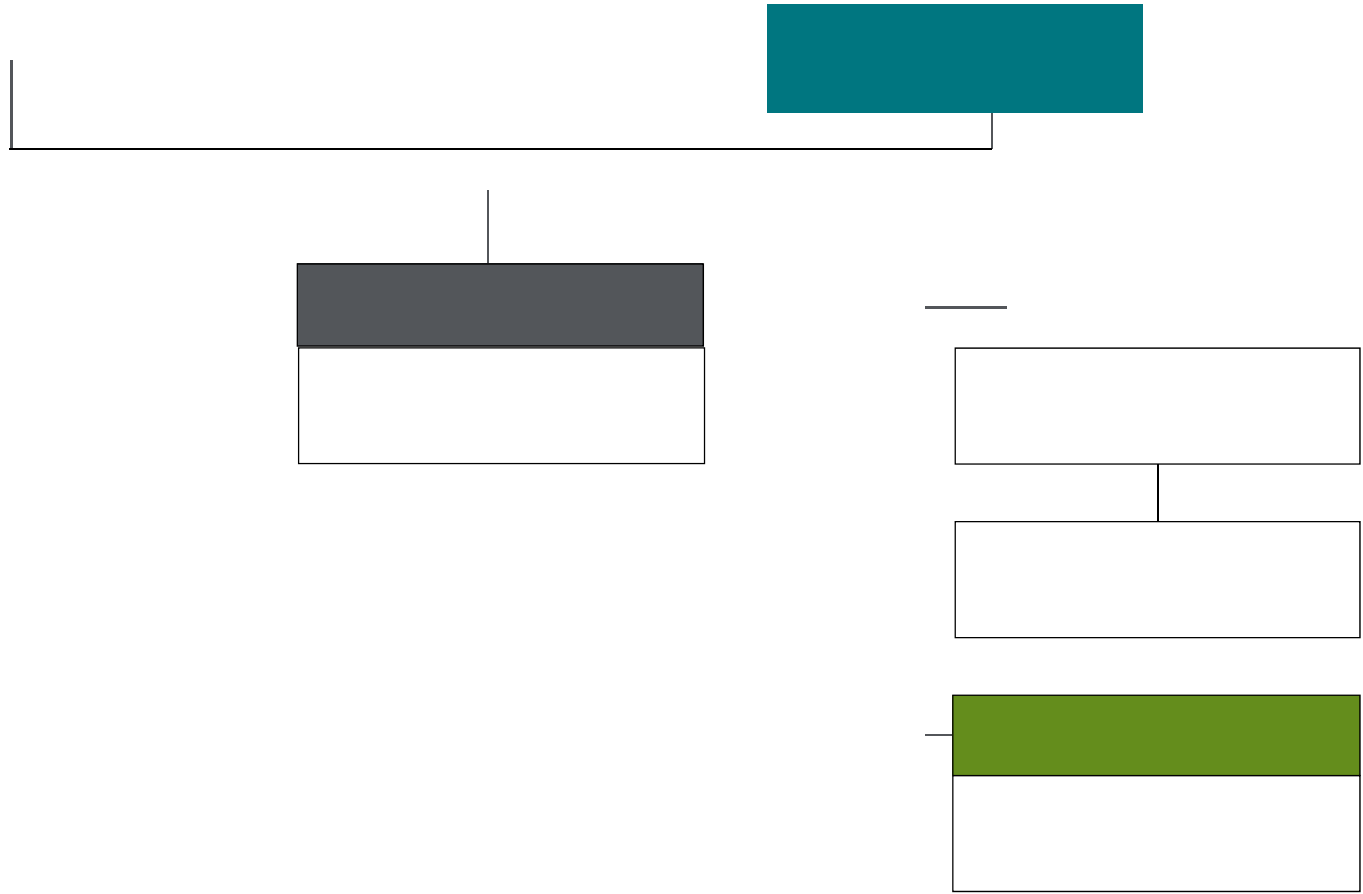


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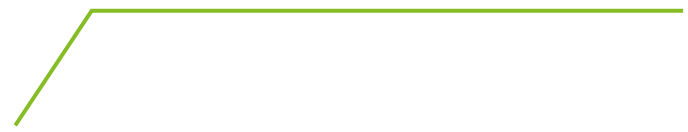
Board Operations

Deloitte.





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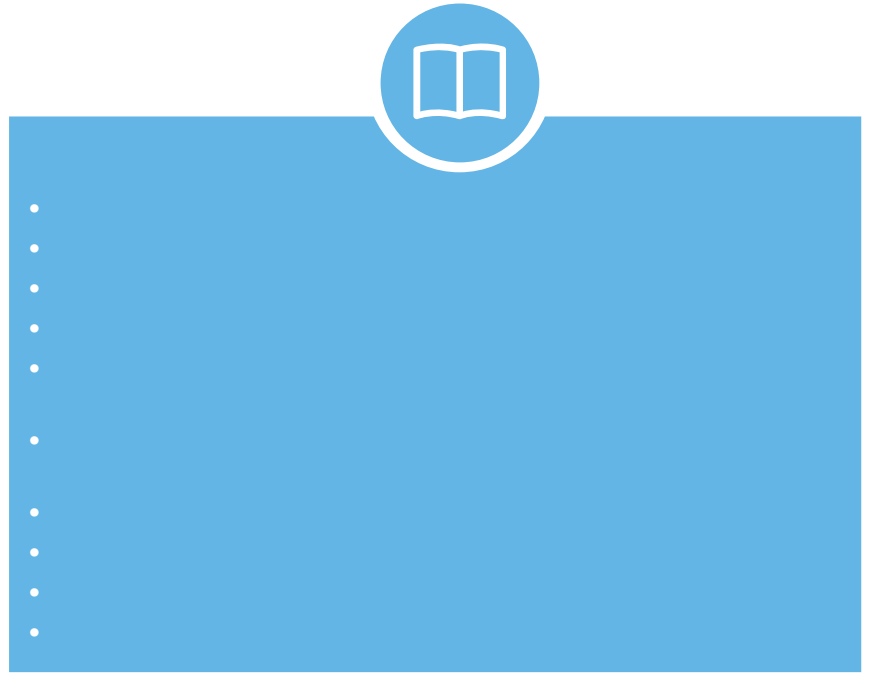
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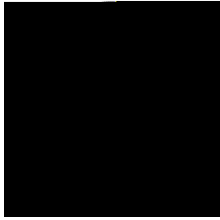
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<i>Accounting & Financial Reporting Updates</i>			•				•	
<i>CFO Insights</i>		•	•				•	
<i>Accounting Journal Entries</i>			•				•	
<i>Accounting Roundup</i>			•				•	
<i>Attorney Alerts</i>				•				
<i>Audit Committee Brief</i>	•	•		•			•	
<i>Dbriefs – Private Companies</i>	•	•	•	•	•	•	•	•
<i>Financial Reporting Alerts</i>			•				•	
<i>Heads Up</i>			•				•	

Deloitte.



Compliance Risk Reviews: Process Review

Boyd Kumher, Chief Compliance Officer
Office of Institutional Compliance

May 9, 2019

Compliance Risk Reviews (CRRs)

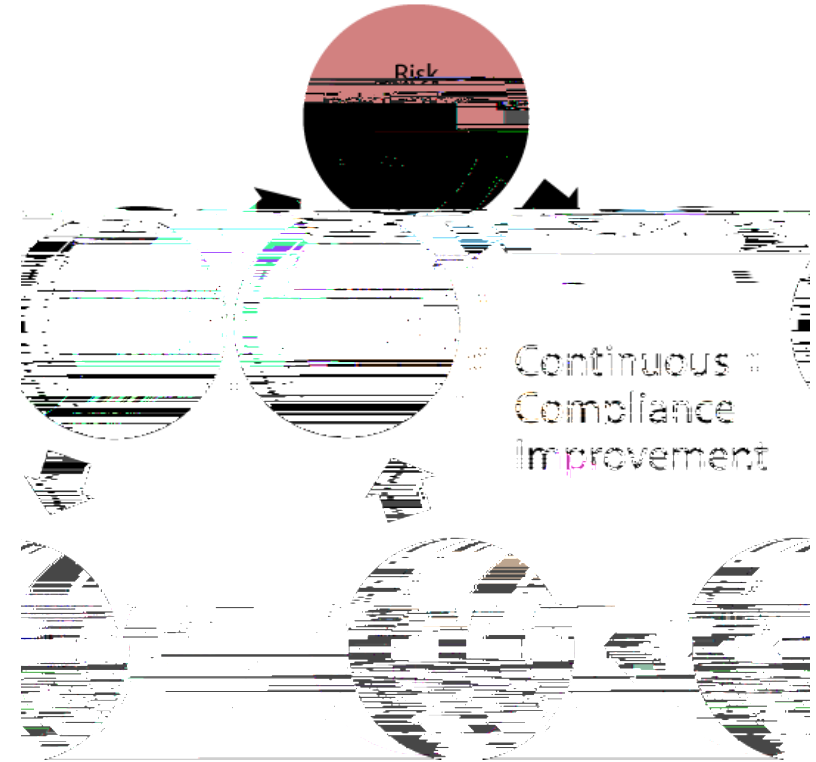
- Implemented July 2017
- Aligns with Federal Sentencing Guidelines
 - Risk identification and prioritization
 - Monitoring, auditing, and evaluating
-



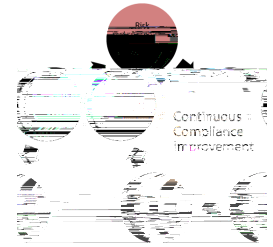
CRR Process

Focuses on compliance with external and internal requirements

- Federal laws/regulations
- State statutes
- U of M policies



Outcomes Achieved



- Summary of the risk
- Opportunities for improvement
- Customer-developed action plan
- Review with the Executive Oversight and Compliance Committee
- Action items addressed





Safety of Minors - Example



- 3 year cycle (high risk)
- > than 200 programs with minors across the system
- One external regulation for mandatory reporting
- Policies (Board of Regents and Administrative) – 2013
 - Registration, reporting, background checks, health/safety
- Partners
 - Provost’s Office, Office of Human Resources, and College of Education and Human Development

Safety of Minors - CRR

Topic researched
(OIC)

Compliance Risk Areas	Related Governing Laws, Rules, Regulations, or University Policies
Mandatory reporting of a good faith belief that a minor is being physically or sexually abused or neglected	Minnesota Statute 626.556: Reporting of Maltreatment of Minors Board of Regents Policy: <i>Safety of Minors</i> Administrative Policy: <i>Safety of Minors</i>
Registration of events or programs intended for minors	Administrative Policy: <i>Safety of Minors</i>
Completion of a criminal background check for program staff, both upon hire or start of service and every three years thereafter	Board of Regents Policy: <i>Safety of Minors</i> Administrative Policy: <i>Safety of Minors</i> Administrative Policy: <i>Background Checks and Verifications</i>
Completion of a University-wide web-based trainQ 4wC 16 3.(and)JTJ ET Q q	



Safety of Minors - CRR

Conduct
Compliance
Risk
Review

CRR tool created

- Overall compliance questions
- Cost of compliance
- Risk area specific

General compliance question(s)

- How is compliance with the policy monitored?
- What is the frequency of the monitoring?
- What are the typical noncompliance issues found and how are they corrected?

Mandatory reporting of a good faith belief that a minor is being physically or sexually abused or neglected

- Describe any mandatory reporting events since the last assessment period?
- What corrective measures were taken with the individual who failed to meet the specified reporting requirement?

Registration of events or program intended for minors

- How does verification occur to ensure that the registration site contains information on all programs for minors across the University system?



Safety of Minors - CRR

Conduct
Compliance
Risk
Review

- CRR completed by partners
 - Collaborative
 - Meeting was held with the partners to review the CRR tool. The partners are provided with the opportunity to suggest revisions and additions to the tool.
 - Educational
 - The OIC gains knowledge about the specific risk review topic.
 - The partners gain knowledge about the elements of an effective compliance program, including their role in education and monitoring.



Safety of Minors – Opportunities

-



Safety of Minors – Action Plan

- Complete 6 site visits in 2018 calendar year
- Resources identified to conduct the first year site visits
-



Safety of Minors – Follow-up

Follow-up
to Ensure
Actions
Taken

- OIC tracks open issues in database
- The partners presented their information to the EOCC
- OIC will use current CRR as baseline for next review cycle



Export Controls – Another Example

- 5 year cycle (medium risk)
- Several external governing regulations
- Administrative Policy: *Export Controls* – 2012
 - Exports of hardware, software, commodities, technology, services, technical data
- Partner
 - Office of the Vice President for Research



Export Controls- CRR

Topic researched
(OIC)

Compliance Risk Areas	Related Governing Laws, Rules, Regulations, or University Policies
Deemed Exports to non-US persons	Administrative Policy: <i>Export Controls</i> Export Administration Regulations (EAR) 15 C.F.R. Pt. 730, et. seq. International Traffic in Arms Regulations (ITAR), 22 C.F.R. Pt. 120, et. seq.
Export of U S origin commercial or dual-use items or technologies	Administrative Policy: <i>Export Controls</i> Export Administration Regulations (EAR) 15 C.F.R. Pt. 730, et. seq.
Export of U S origin defense articles and service	Administrative Policy: <i>Export Controls</i> International Traffic in Arms Regulations (ITAR), 22 C.F.R. Pt. 120, et. seq.
Export of U S origin items or technologies to prohibited persons or destinations	Administrative Policy: <i>Export Controls</i> Foreign Assets Control Regulations, 31 C.F.R. Pt. 500, et. seq.
International Travel	Administrative Policy: <i>Export Controls</i> Export Admin Regs (EAR) 15 C.F.R. Pt. 730 International Traffic in Arms Regs (ITAR), 22 (see full list)



Export Controls - CRR

A. International Traffic in Arms Regulations

- Describe the process for ensuring that the “fundamental research” exclusion is maintained for research projects having potential military applications.
- Describe the training process for researchers that are



Export Controls - Opportunities

- Conduct an audit of shipments that do not go through the centralized External Sales process to assess risk
- Assess the risk of furnishing unauthorized online education to persons in sanctioned countries
- Build awareness and compliance with the U of M policy requiring pre-travel registration for travel abroad
- Work with GPS Alliance to increase awareness among employees on traveling with computer devices



Export Controls – Action Plan

- Audit of shipments
 - All shipments for destinations in comprehensively embargoed countries
 - Randomly select 50 package shipments to end users in 3 countries subject to heightened controls
 - Select 10-20 package shipments to determine if they fall in a category on the commerce control list or U.S Munitions List



Export Controls – Action Plan (cont.)

- Education on pre-registering
 - Remind members of the community through outreach presentations and when discussing international projects
 - Engage in a new education effort
 - Give specific guidance to units found to have inadequate compliance with registration requirement

Export Controls – Action Plan (cont.)

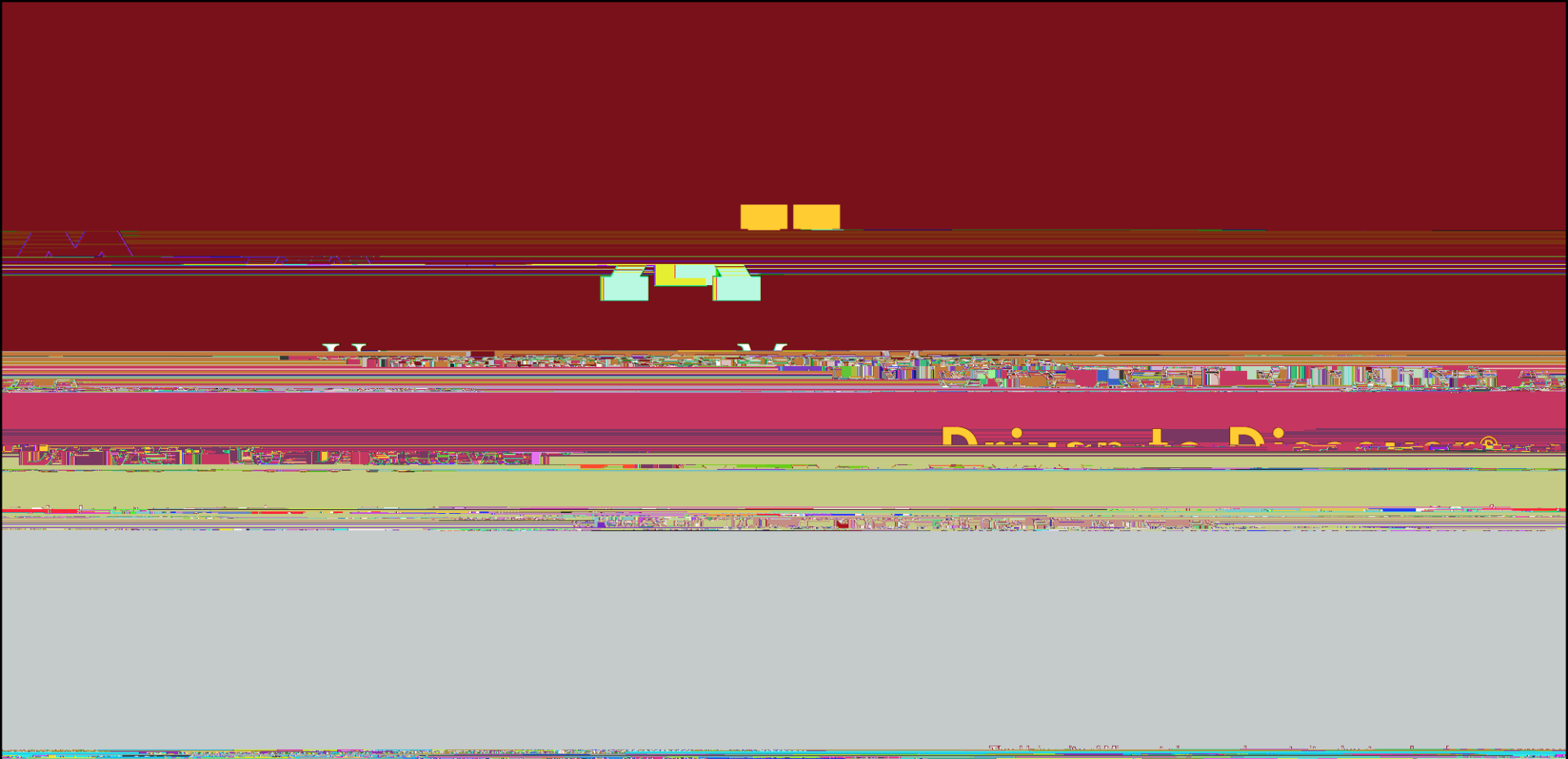
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Communication

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Category

Risk

BOR Committee

Time Horizon

Audit & Compliance Committee
2018-19 Work Plan

Date	Topics
2018	

2018-19 Committee Work Plan

National Audit Trends and Landscape in Higher Education

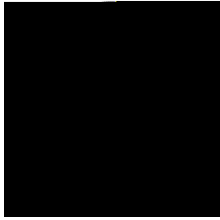
Overview of Audit Results: Trends & Opportunities

2019

Management

Update on the Remediation of Twin Cities Undergraduate Admissions
Audit Findings

[Institutional Risk Profile: Mitigation Plans]





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KUMD-FM
(DEPARTMENT OF THE UNIVERSITY OF MINNESOTA)
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**KUMD-FM
(DEPARTMENT OF THE UNIVERSITY OF MINNESOTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Condensed Statements of Net Position

	2018	2017	Change
Assets			
Current Assets	\$170,785	\$167,242	\$3,543
Capital Assets, Net	30,054	8,550	21,504
Total Assets	<u>200,839</u>	<u>175,792</u>	<u>25,047</u>
Deferred Outflows of Resources	-	-	-
Liabilities			
Current Liabilities	100,011	91,733	8,278
Noncurrent Liabilities	19,778	17,776	2,002
Total Liabilities	<u>119,789</u>	<u>109,509</u>	<u>10,280</u>
Deferred Inflows of Resources	-	-	-
Net Position			
Unrestricted	(31,609)	(36,789)	5,180
Restricted - Expendable	82,605	94,522	(11,917)
Net Investment in Capital Assets	30,054	8,550	21,504
Total Net Position	<u>\$81,050</u>	<u>\$66,283</u>	<u>\$14,767</u>

Assets

Current assets are used to support current operations and consist of cash and cash equivalents and accounts receivable. Noncurrent assets consist of capital assets, net of accumulated depreciation. Refer to Note 2 for additional information related to capital assets.

As of June 30, 2018, total assets increased \$25,047 from 2017 primarily due to an increase in capital assets.

Liabilities

Current liabilities are obligations that are expected to become due and payable during the next fiscal year. They consist of accounts payable and accrued liabilities for salaries payable and compensated absences. Noncurrent liabilities consist of compensated absences that are estimated to become due and payable over a period of time greater than one year.

As of June 30, 2018 total liabilities increased \$10,280 from 2017 primarily due to accounts payable.

Net Position

Unrestricted - Includes assets that are not subject to limitations or stipulations imposed by external entities and that have not been set aside for capital purposes.

Restricted - Expendable - Expendable assets are available for expenditure by the Station, but only in accordance with restrictions placed on their use by donors and other external entities.

Net Investment in Capital Assets -

BASIC FINANCIAL STATEMENTS

KUMD-FM
(DEPARTMENT OF THE UNIVERSITY OF MINNESOTA)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018

Operating Revenues	
Corporation for Public Broadcasting Grants	\$ 146,488
State of Minnesota Grants	133,161
Underwriting	123,831
Listener Support	113,969
Student Service Fees	87,342
Other Revenue	7,371
Total Operating Revenue	<u>612,162</u>
Operating Expenses	
Programming and Production	481,810
Broadcasting	79,008
Management and General	207,574
Fundraising	91,369
Depreciation	8,209
Total Operating Expenses	<u>867,970</u>
Operating Loss	<u>(255,808)</u>
Nonoperating Revenues	
University General Appropriation	78,261
Donated Facilities and Admin University Support	99,103
Donated Goods and Services - NFFS	17,418
Donated Goods and Services - Non NFFS	27,127
Other University Support	1,500
Total Nonoperating Revenues	<u>223,409</u>
Loss Before Other Revenues	(32,399)
Other Revenues	
Capital Grants & Gifts	47,166
Total Other Revenues	<u>47,166</u>
Increase in Net Position	14,767
Net Position at Beginning of Year	66,283
Net Position at End of Year	<u>\$ 81,050</u>

The accompanying notes are an integral part of these financial statements.

**KUMD-FM
(DEPARTMENT OF THE UNIVERSITY OF MINNESOTA)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

The accompanying notes are an integral part of these financial statements.

KUMD-FM
(DEPARTMENT OF THE UNIVERSITY OF MINNESOTA)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

**Reconciliation of Net Operating Income (Loss) to
Net Cash Used By Operating Activities**

Operating Loss	\$	(255,808)
Adjustments to reconcile operating loss to net cash used by (l)78(e)-21(-)-15(o)34(p)34(e)-21(ra)-20(t)12(i)		

The accompanying notes are an integral part of these financial statements.

KUMD-

The estimated useful lives of the assets are as follows:

Nonoperating Revenues Revenues that represent nonexchange activities. The primary source of these revenues is appropriations from the University of Minnesota, and other

NOTE 5 - EMPLOYEE BENEFITS

The station is charged fringe benefits based on rates that are approved by the Department of Health and Human Services. The rates are calculated based on the University's salary base, actual costs and recoveries, and payments received in a prior year. The approved rates are charged to departments based on the salaries paid to employees by employee class / fringe group.